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**SF 451** – School Dropout Prevention (LSB 1558H8368)

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Fiscal Note Version – Amendment **H-8339** as amended by **H-8368**

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### **Description**

Amendment **H-8339** as amended by **H-8368** changes the requirement that school districts use the FY 2012 modified allowable growth (MAG) ratio (amount of modified allowable growth requested as a ratio to the district total regular program cost) to the maximum ratio the school district had between FY 2010 and FY 2012 for restrictions on MAG funding for the Returning Dropout and Dropout Prevention Program. However, a district with a ratio below 2.5% could request a MAG up to a ratio of 2.5%.

### **Assumptions**

- Of the 351 school districts, 60 school districts have a maximum ratio below 2.5% between FY 2010 and FY 2012, including 20 districts with a ratio of 0.0%. The remaining 291 districts had a maximum ratio between 2.5% and 5.0% between FY 2010 and FY 2012, including 39 with a ratio of 5.0% (the maximum ratio under current law).
- Freezing the ratio of MAG a school district can request to the maximum ratio between FY 2010 through FY 2012, or 2.5%, whichever is greater, will reduce the MAG capacity from \$142.2 million to \$120.1 million, a reduction of \$22.1 million (based on FY 2012 data). The freeze will not occur until FY 2014.
- The 60 districts that were below the 2.5% ratio level between FY 2010 and FY 2012 will generate \$5.9 million for MAG for the Dropout and Dropout Prevention Program based on their maximum ratio between FY 2010 and FY 2012. Based on the FY 2012 data, at the 2.5% ratio level, the total will increase to \$9.9 million. However, compared to current law, capping the maximum ratio for these 60 districts will reduce the remaining MAG capacity for these districts from \$19.7 million to \$9.9 million, a reduction of \$9.8 million.
- The 291 districts that were at or above the 2.5% ratio level between FY 2010 and FY 2012 will generate \$110.2 million for MAG for the Dropout and Dropout Prevention Program. Capping the maximum ratio for these 291 districts will reduce the remaining MAG capacity for these districts from \$122.5 million to \$110.2 million, a reduction of \$12.3 million.
- In FY 2011, the restricted ending fund balance reserved for the Dropout and Dropout Prevention Program totaled \$23.1 million. These funds will be available for use in future fiscal years and will limit the amount of MAG requested by a like amount.

### **Fiscal Impact**

There is no State General Fund impact as a result of the House Amendment **H-8368**. The impact on school district property tax amounts are unknown and may vary between districts. Although the amendment allows for expanded uses of the Program funds, school districts will either be capped at the highest ratio between FY 2010 through FY 2012, or the 2.5% ratio, whichever is greater. In future fiscal years, any increases in MAG for the Returning Dropout and Dropout Prevention Program will likely be the result of future allowable growth rates and/or increased enrollments for individual school districts.

**Sources**

Iowa Department of Management, School Aid file  
LSA analysis and calculations

/s/ Holly M. Lyons

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March 28, 2012

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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